



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3010

NOV 06 2014

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: 2014 Should Cost and Innovation Award

I am requesting your nominations for the 2014 Department of Defense Should Cost and Innovation Award. The concept of should cost management is fundamental to proactive cost control throughout the acquisition life cycle.

Nomination submission and selection process information are provided in Attachment 1. My August 6, 2013, memorandum "Should Cost Management in Defense Acquisition" is provided at Attachment 2. Nominations must be endorsed by the Component Acquisition Executive and submitted electronically by December 19, 2014, to the Director, Human Capital Initiatives, at [shouldcostaward@dau.mil](mailto:shouldcostaward@dau.mil). Award information is available at <http://www.dau.mil/acqawards>.

It is important that we recognize the outstanding Should Cost accomplishments and contributions of our acquisition, technology, and logistics professionals. The winning organization will be honored at a ceremony and highlighted in the Pentagon Defense Acquisition Workforce Wall of Recognition. Thank you for nominating your best-of-the-best organizations most deserving of this recognition.

A handwritten signature in black ink, appearing to be "F. Kendall", is located below the main body of the memorandum.

Frank Kendall

Attachments:  
As stated

**DISTRIBUTION:**

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## USD(AT&L) 2014 Should Cost and Innovation Award

*Please read the following information carefully before completing and submitting this application.*

**Background:** The USD(AT&L) Should Cost and Innovation Award recognizes organizations, groups, or teams that have displayed outstanding commitment, innovation, and results to should cost management. The concept of should cost management is fundamental to proactive cost control throughout the acquisition life cycle. This initiative requires the active management of cost, starting with the deep understanding of cost structures, followed by identifying specific goals for cost reduction (should cost goals), and the efforts to achieve those cost reductions. Most programs and contracted activities in DoD now have should cost targets and are managing to them. This is a core enduring Better Buying Power initiative.

The following excerpt from the USD(AT&L) August 6, 2013, memorandum further details should cost management: "All acquisition managers should routinely analyze all cost elements and consider reasonable measures to reduce them, with prudent, cost-benefit based considerations of associated risks. Immediate short-term savings should not come at the expense of long-term degradation of effectiveness or suitability; investments that result in long-term returns in production or sustainment efficiency should be considered and are appropriate uses of should cost related savings. Managers should also apprise their leadership of opportunities for life-cycle cost savings that are outside their span of control."

**Eligibility:** All Component and Department of Defense AT&L organizations, except the Defense Acquisition University, are eligible to compete for the 2014 USD(AT&L) Should Cost and Innovation Award.

**Evaluation Criteria:** Nominations will be considered for evidence of contribution to should cost management.

**Selection Process:** The Should Cost and Innovation Award Selection Panel is comprised of six OSD senior leaders with relevant experience:

- Principal Deputy, Assistant Secretary of Defense (Acquisition), OUSD(AT&L) (Co-Chair)
- Director, Defense Pricing, OUSD(AT&L) (Co-Chair)
- Deputy Director, Acquisition Resources and Analysis, OUSD(AT&L)
- Principal Deputy, Assistant Secretary of Defense (Logistics Materiel and Readiness)
- Principal Deputy, Assistant Secretary of Defense (Systems Engineering)
- Deputy Director, Resource Analysis, Cost Analysis and Program Evaluation

The Panel will assess and rank nominated organizations based on Should Cost results and overall contributions. The Director, HCI will serve as the Award and Panel secretariat responsible for nomination, selection, and recognition processes, to include compiling and presenting Panel results to the USD(AT&L) for final approval.

### **Detailed Instructions:**

- 1. Submission deadline.** Submit nominations to [shouldcost.award@dau.mil](mailto:shouldcost.award@dau.mil). **Applications must be received by close of business December 19, 2014. Due to schedule constraints, late submissions cannot be considered.** The award coordinator will acknowledge receipt of each application. If the point of contact has not received a confirmation e-mail within 2 business days after submission, please contact the award coordinator. An award application will not be considered complete until the applicant or submitter has received a confirmation e-mail.
- 2. Nomination approval.** Nominations must be accompanied by the Service/Component Acquisition Executive's written endorsement. Each Acquisition Executive may submit one nomination.
- 3. Nomination format, content, and logo.** The nomination package must be submitted under a cover memo from the Component Acquisition Executive. The package must include the completed nomination contact form (attached) and a four-page (maximum) narrative supporting the evaluation criteria, as described above. A high-resolution organizational logo in either JPG or TIFF format must also be included with the email submission.
- 4. Evaluation Criteria.** The evaluation criteria are listed on page 4 of this attachment. The period of performance for this award is **July 1, 2013 through June 30, 2014**. Given that many developments result from an organization's efforts and contributions cumulatively over a period of time, initiatives over more than the 12-month window may be reported, but the culmination of the work must be within the window. Quantifiable descriptions of achievements are desired.
- 5. Recognition Ceremony.** Winning organizations will be recognized by the Under Secretary in the December 2014/January 2015 timeframe. The winning organization will be featured in the Pentagon's Defense Acquisition Workforce "Wall of Recognition" display. The Office of the USD(AT&L) will ensure the winning organization is announced via various communication media.
- 6. Travel Costs.** All travel costs associated with the award presentation will be borne by the nominating organization. Component Defense Acquisition Workforce Development Funds may be used subject to component approval and availability. Due to limited space at the awards ceremony, the winning organization will be limited to five representatives. Winners will be notified directly and through their Director, Acquisition Career Management, several weeks in advance in order to facilitate travel reservations.
- 7. Questions.** Please address all questions regarding this award or application procedure to the Should Cost and Innovation Award coordinator, Ms. Mikki Brooks, at 703-805-3761 or [shouldcostaward@dau.mil](mailto:shouldcostaward@dau.mil). Additional information can be found on the award website at <http://www.dau.mil/acqawards>.



**2014 Should Cost and Innovation Award  
Contact Information**

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**Award Category:**

**Organization Nominee Information**

Name of Organization:

Name of Organization Acquisition Executive/Senior Acquisition Leader:

Title:

Name of Nomination Submission Point of Contact (POC):

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

POC Telephone:

E-mail:

Organization Mission Statement:

Names and position title of key individuals responsible for should cost innovation and management:

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**Component Director, Acquisition Career Management Staff Point of Contact**

Name:

Title:

Telephone:

E-mail:

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**NOMINATION NARRATIVE TEMPLATE**

**Not to exceed 4 pages; 12-point, Times New Roman font**

Describe your organization's exemplary efforts, innovations, and best practices to develop, apply and improve use of should cost management. Please cite specific examples of best practices and resulting benefits and savings/cost avoidance.

**AWARD CITATION**

**One page; not to exceed 200 words**



ACQUISITION,  
TECHNOLOGY  
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## UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000

AUG 06 2013

MEMORANDUM FOR SECRETARIES OF MILITARY DEPARTMENTS  
DEPUTY CHIEF MANAGEMENT OFFICER  
DEPARTMENT OF DEFENSE CHIEF INFORMATION OFFICER  
DIRECTORS OF THE DEFENSE AGENCIES  
AT&L DIRECT REPORTS

SUBJECT: Should Cost Management in Defense Acquisition

References: (a) Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)) memorandum, "Implementing Directive for Better Buying Power 2.0 – Achieving Greater Efficiency and Productivity in Defense Spending," April 24, 2013  
(b) USD(AT&L) and USD(Comptroller), "Joint Memorandum on Savings Related to 'Should Cost,'" April 22, 2011

The Better Buying Power (BBP) 2.0 Implementing Directive (reference (a)) identified seven focus areas where we can achieve greater efficiency and productivity in defense acquisition. Should cost management is one of these areas and is an important tool to control costs both in the short term and throughout the product life cycle. This memorandum refines and clarifies BBP guidance to ensure managers at every level implement should cost management in the acquisition of products, services, and programs.

Component Acquisition Executives (CAEs) and Program Executive Officers (PEOs) will ensure Program Managers (PMs) implement should cost management in all Acquisition Category I, IA, II, and III programs, including related services, regardless of life-cycle phase. CAEs and PEOs will review and approve should cost targets, monitor progress, and direct or recommend allocation of realized cost savings as appropriate.

All acquisition managers should routinely analyze all cost elements and consider reasonable measures to reduce them, with prudent, cost-benefit based considerations of associated risks. Immediate short-term savings should not come at the expense of long-term degradation of effectiveness or suitability; investments that result in long-term returns in production or sustainment efficiency should be considered and are appropriate uses of should cost related savings. Managers should also apprise their leadership of opportunities for life-cycle cost savings that are outside their span of control.

Components will continue to baseline acquisition budgets using will cost estimates and CAPE Independent Cost Estimates when available, consistent with reference (b). However, successful should cost initiatives should drive down future program budgets once the savings have been demonstrated and realized. Components have the latitude to apply savings to their most pressing unfunded requirements, or may reinvest this funding within the same programs to

accelerate the acquisition, fund cost-reduction initiatives, or cover critical unfunded requirements.

CAEs will determine their own reporting requirements for effective should cost management oversight, but PMs and PEOs of Major Defense Acquisition Programs and Major Automated Information System programs will report should cost targets and progress in achieving them at Defense Acquisition Executive Summary (DAES) and Defense Acquisition Board (DAB) reviews. PMs will include in their presentations Plans of Action and Milestones for major should cost initiatives, along with annual savings projected and realized. PEOs will provide, via the DAES briefings, quantitative metrics addressing how should cost has been implemented within their portfolios, incentive and recognition mechanisms in place, and lessons learned. PEOs will also provide case studies of should cost initiatives to the Defense Acquisition University for use in its training materials and BBP repository established to collect and share best practices. Per reference (a), Defense Procurement and Acquisition Policy is developing policy for services acquisition Requirements Review Boards, for release by October 1, 2013, that will incorporate should cost reviews and reporting processes.

My point of contact is Mr. Phil Rodgers, Acquisition Resources and Analysis, at 703-692-5492 or philip.rodgers@osd.mil.



Frank Kendall